
REPORT ON THE DEPARTMENT OF FACILITIES

December 1975

Report by the Task Force on Construction Projects

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PREFACE

In September, 1972, in response to the request of the Board of Supervisors, the Economy and Efficiency Commission submitted its report, Management of Construction Projects in Los Angeles County Government. The report contained 18 recommendations for improvement of the County's management of its facilities program. The principal recommendation proposed the establishment of a consolidated facilities department to concentrate under one head all major functions involved in the planning design and acquisition of County facilities. Operational savings were projected as \$5 million annually.

The Board of Supervisors adopted our recommendations, and a single Department of Facilities was created with the responsibility to implement the County's facilities program and control the costs and schedules of capital projects. At the same time, the Board asked the Economy and Efficiency Commission to monitor the activities of the new department and to report on its progress from time to time.

In accordance with our usual practice, the chairman appointed a task force to monitor the Department of Facilities. The department has been in operation nearly two years and has recently published its first annual report. The task force herewith submits its initial report.

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I. SUMMARY AND CONCLUSIONS

This section summarizes the task force conclusions. The task force has no recommendations at the present time. Subsequent sections of the report present the task force findings in more detail.

Introduction

The Department of Facilities became fully operational in March, 1974, with the hiring of its Director, Stephen J. Koonce. Since then, the task force has conducted four interviews with Stephen Koonce to determine his priorities, discuss formation and development of the department, and investigate the status of specific projects such as the Criminal Courts building.

In addition, the task force has reviewed two reports on the status of the department. The Audit Committee of the 1974-75 Grand Jury directed a study by the contract auditor in November, 1974, and published the results in June, 1975. The auditors reported that they had found evidence of consistent progress, but that further work was needed to develop and clarify the role of the facilities project manager.

In October, 1975, Stephen Koonce submitted the first Facilities Department Annual Report to the Board of Supervisors. In that report, he presented evidence of savings of \$39.9 million as well as a description of the steps taken to improve the management of capital projects.

In order to test the contents of these reports and discover any additional relevant information, our staff conducted 18 interviews with architects, contractors, and County officials who have dealt with the new department. Most of those interviewed also had experience with earlier County construction projects and were thus in a position to compare the new management system with the old.

The report contains the following information: The first part is a summary of the work done in the previous year, and the second part is a summary of the work done in the current year.

Summary

The first part of the report is a summary of the work done in the previous year. This part includes a description of the work done in the various departments, and a summary of the results of the work.

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Those we interviewed consistently reported substantial improvement in the overall system. They were highly complimentary regarding the people involved in the Department of Facilities. They also consistently pointed out that further progress is needed in several areas. Problems which were created years before creation of the department still remain. With respect to a particular project, the problems involved with the Central Jail Addition are the most serious, and lawsuits over the project are probably unavoidable.

Conclusions

The task force concludes that the Department of Facilities has made substantial progress in its first 21 months. It has successfully implemented major recommendations of the Economy and Efficiency Commission's report, Management of Construction Projects in Los Angeles County Government (September, 1972). It has made substantial progress in bringing the planning of and contracting for the County's facilities program under control. Stephen Koonce and his staff are addressing current problem areas and are making steady progress in full scale implementation of the complete facilities acquisition and maintenance system.

The department has significantly improved the County's capability for matching planned facilities to needs, prior to the commitment of funds. Exercise of this capability has resulted in savings of \$39.9 in County commitments, through reprogramming or redesign of 11 major projects. The need for this kind of capability was a major subject of our commission's report in 1972. We are confident that as the need for new facilities programs is generated, the County will have the appropriate tools and information to evaluate the need and control the scale of the resulting projects.

There is a fundamental difference between the two systems in the way they handle the problem of the distribution of the total product. In the first system, the total product is divided into two parts: one part is used for the consumption of the workers and the other part is used for the consumption of the capitalists. In the second system, the total product is divided into three parts: one part is used for the consumption of the workers, one part is used for the consumption of the capitalists, and one part is used for the consumption of the state. This difference in the distribution of the total product is the fundamental difference between the two systems.

The second system is based on the principle of the division of labor. In this system, the total product is divided into three parts: one part is used for the consumption of the workers, one part is used for the consumption of the capitalists, and one part is used for the consumption of the state. This division of labor is the basis of the second system. The first system is based on the principle of the division of labor. In this system, the total product is divided into two parts: one part is used for the consumption of the workers and the other part is used for the consumption of the capitalists. This division of labor is the basis of the first system.

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Problems remain in implementing the design and construction of projects to which the County is already committed. Contractors and architects see a need for further reduction of administrative delays, for more delegation of responsibility, and for re-evaluation of unusually stringent design requirements. In most cases, the Department of Facilities has initiated efforts to correct these remaining deficiencies of the management system.

Further, it is not enough to design and construct a system
to solve the problem. In order to be successful, the system must be
designed to be flexible and adaptable to change. The system must be
designed to be able to handle a wide range of inputs and outputs.
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II. FINDINGS

Substantial Progress

In this section, we describe the major areas in which the Department of Facilities has made substantial progress. When appropriate, we cite the applicable recommendation in our commission's 1972 report.

Savings (E & E Recommendations 3 and 7) - The Department of Facilities has reduced the projected cost of projects to which the County committed funds several years ago. The savings amounts to \$39.9 million.

These savings can be directly attributed to the new department's capability to conduct thorough analyses of the needs for a facility and the relationship of design to need.

Acquisition Decisions (E & E Recommendations 7 and 8) - The department has developed and is using the capability to optimize space acquisition and utilization decisions. The department has completed an inventory of County buildings and space available - the first step in developing a capability for determining whether a need to house County services can best be met by existing facilities or by new acquisitions. In addition, the department has developed the capability for economic evaluation of lease, purchase, or construction alternatives to meet a need that requires acquisition.

Project Program Planning (E & E Recommendations 3 and 9) - One of the key recommendations of the Economy and Efficiency Commission in 1972 was that the design requirements for major construction projects be analyzed and documented prior to any commitment to an architect. These requirements - the project program plan - then become the basic source of architectural decisions.

The Department of Facilities has been successful in developing the capability for program plans and in working with tenant County departments to produce them. The results are consistently praised by tenant departments and by architects.

In the course of developing the capability for project program planning, the Department of Facilities has prepared improved documentation of procedures and standards.

Architectural Services Agreements (E & E Recommendation 4) - Prior to creation of the Department of Facilities, the County had little ability to use contracts to hold architects accountable for design accuracy, schedules, intermediate products, quality, and cost. The department developed a stronger architectural agreement and obtained the support of the American Institute of Architects. The Board of Supervisors is now reviewing the new instrument.

New Contracting Approaches (E & E Recommendation 16) - Laws governing competition on public projects limit the County's ability to use all the techniques of the private sector to expedite construction and reduce costs. However, some techniques, such as phased construction and multiple contracting, are available and the Department of Facilities is initiating their use to the County's advantage. About \$3 million of the \$39.9 million saving can be attributed to current and planned use of these techniques.

Current Problem Areas

As we pointed out in the Introduction, some of the architects, contractors and tenant departments whom we consulted are still critical of the County's management of construction projects. They attribute delays to excessive administrative complexity. They experience indecision and uncertainty among County officials when work is in process and timely decisions required. Therefore, they conclude that there has been no improvement in the County's system in areas which are of importance to them during project implementation.

The Department of Facilities is working on improvements in these areas. In most cases, implementation of the necessary improvements will take some time. In some cases, new State legislation will be needed. A brief description of major areas of concern follows. When appropriate, we cite the applicable recommendation from our commission's 1972 report.

Building Overdesign (E & E Recommendation 11) - The technical quality of a building has complex effects on both its aesthetics and its long term cost. Investment in high quality construction materials and specifications may reduce future maintenance and service costs sufficiently to justify it. However, in the opinion of some experts, the County's requirements exceed those of commercial clients with similar needs and more stringent economic standards. In particular, they criticize specifications governing mechanical systems, ventilation systems, communications systems, and interior finishing materials.

The initial commission recommendation noted that change in this area would require Board action, since the philosophy underlying quality decisions derives from the Board of Supervisors. Stephen Koonce agrees that more work is needed on the County's standards of quality, but it will take time for the Department of Facilities to analyze completed buildings and to develop appropriate decision criteria to determine the optimum quality level for all systems in all types of buildings. The work will require taking into account life cycle costing, and because of the wide variety of County buildings, this is an extremely complex task.

Contract Terms and Conditions (E & E Recommendation 17) - The Department of Facilities has initiated work on the contract instrument used for the construction phases of the facilities program. The Director considered development of adequate architectural agreements to be a higher priority.

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Plan Checking - As a group, architects would prefer to be held professionally accountable for code compliance. At present, they believe that detailed compliance checking by the County Engineer takes too long, can miss major design flaws, provides no guarantee that later inspection will concur on matters of code interpretation, and generally demotivates them professionally. They believe that such checking is unnecessary and counterproductive and cite other public agencies that do not require it, such as the State College System. The County Engineer disagrees, citing the absence of building failures in the County and the County's reputation for honesty in dealing with architects and contractors.

It is important to recognize that the architects are not referring here to design review, which compares technical design to County requirements and needs. They are referring to the detailed checking of engineering calculations and drawings that are required at several stages of the design process.

Stephen Koonce reported that the planning and scheduling of the plan check function is under effective control and is working well. He believes that the complaints from architects reflect past problems.

Design Documentation - Several contractors pointed out inconsistencies in the technical specifications for certain jobs. Often, these result from piecing together, in the same document, general specifications from uniform codes and special applications on a specific job. The department has established systems to avoid these deficiencies and to remove them when they occur, but no system will eradicate them entirely.

Evaluation (E & E Recommendation 5) - The Department of Facilities has made considerable progress on developing information systems to support project evaluation. Stephen Koonce receives monthly project reports on major projects

(over \$250,000 committed) and complete schedule and cost exception reports. These provide enough information to trigger immediate corrective action when a project is in trouble. However, more comprehensive program and system evaluation is also needed to supply the information required to improve the County's management of the overall facilities program.

Proceed Authorization (E & E Recommendation 15) - The necessary legislation, enabling the County to issue orders for a contractor to proceed with a job prior to negotiation of a firm price for a change, has been obtained. Contractors are anxious for the County to begin using this method of expediting work. It is not now in use.

Stephen Koonce states that the department has been developing the necessary administrative safeguards to support the use of proceed authorizations, and expects to implement them soon.

Change Orders (E & E Recommendations 13 and 14) - Currently, any change during construction that is valued over \$10,000 must be approved by the Board of Supervisors. Agenda delays and administrative processing adds two weeks to a month after approval by the Department of Facilities. Stephen Koonce is preparing a legislative recommendation to permit the Board of Supervisors to delegate to the Facilities Director a higher dollar level authority for change orders, supplemental agreements, and contract changes. This will enable the department to act internally on 80% or more of most kinds of changes. This authority should be transferred to the Department of Facilities as soon as possible, since the director of that department should be fully accountable for the progress and scheduling of construction projects.

Project Management (E & E Recommendation 2) - The report by the Contract Auditor of the 1974-75 Grand Jury stated that the Department of Facilities was

that the Government has been unable to secure the necessary

financial resources to carry out its various projects.

It is therefore necessary to seek other sources of funds.

The Government is now considering the possibility of borrowing

from foreign banks and financial institutions.

It is also possible to raise funds through the sale of bonds.

The Government is also considering the possibility of selling

its assets to raise funds for its various projects.

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not implementing the project management concept described in the E & E report of 1972. In addition, many of those we interviewed told us that County decision making, particularly during the construction phase, is slow and cumbersome.

Our commission's concept of facilities project management, as described in the 1972 report, was that a single individual should be responsible for the conduct of a construction project during the period of time from its inception to completion. Such an individual would have general, overall responsibility for design, cost, and schedule. He or she would not replace the technical experts needed for design oversight and for on site supervision during construction, but would have the responsibility to utilize such experts to accomplish project objectives within schedule and budget.

As we stated in our 1972 report,

"It will not be easy for the County to adopt such a system at the organization level necessary for adequate control of capital facilities. . . Civil Service personnel practices, administrative policies, and legislative restrictions make it difficult for local government to provide an organization with the mobility and status necessary for it to nurture effective project managers."

However, Stephen Koonce has convinced us that he is implementing a project management concept similar to the E & E recommendation. He is also working with the Civil Service Commission to improve the job classification specifications for project managers and to classify construction project management and facilities project management in a career ladder.

Jail Addition - The project at the jail was underway well before the Department of Facilities was formed. Planning began in 1963. Architectural plans were approved with the knowledge that they were incomplete and inaccurate, and construction was started before approved plans were obtained.

The current County objective, as expressed by Stephen Koonce, is to obtain beneficial occupancy of this project as soon as possible. We have learned from Stephen Koonce and other sources that lawsuits over the project are probably unavoidable.



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